

An important incident of the crisis, which affected seriously the Southern States and European investors, was the great speculation of President Biddle of the United States Bank of Pennsylvania in cotton. He undertook to corner the cotton product of the world by arranging with the merchants to make all their consignments to the agents of the bank at Havre and Liverpool. He drew bills on England in 1837 against cotton for ^3,000,000, and expected to get the benefit of the difference between the rates at which he loaned in the United States—five and six per cent.—and the English rate of two per cent. But the United States Bank no longer controlled the supply of commercial credit, and the fabulous profits which Biddle appeared to be realizing stimulated the creation of banks all through the cotton belt, which made advances to the planters and undertook to sell cotton on their own account in Europe. The rise of the Bank of England discount rate suddenly curtailed the profits of many of these banks and the Bank of the United States went to their rescue in order to maintain the price of cotton. Bank shares and commercial paper were purchased by Biddle at a discount of more than twenty-five per cent., which were thrown upon the European market and eagerly snatched up at par by European investors, who had not discovered the tottering condition of American finance. But the enterprise was too vast, even for Biddle's resources. The reserves of cotton were brought out, old stocks in the hands of manufacturers were allowed to run down, consumption diminished and mills reduced their output, while bale upon bale continued to pour upon the Liverpool and Havre markets. The House of Hottinguer of Paris protested Biddle's paper, the Hopes of Amsterdam broke off relations with him, and the price of cotton tumbled, in common with that of other commodities.<sup>1</sup>

Speculation in banks and joint stock companies had reached a serious point in England, irrespective of large English investments in America, The growth of the specu-

<sup>1</sup> Juglar, 462-65.